

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 02 WARSAW 000325

SIPDIS

EB/ESC FOR SGALLOGLY AND RGARVERICK; USDOC FOR
4232/ITA/MAC/EUR/JBURGESS, MWILSON, JKIMBALL; DOE FOR
LEKIMOFF

E.O. 12958: DECL: 02/24/2016

TAGS: [PREL](#) [PGOV](#) [EPET](#) [ENRG](#) [PL](#) [UP](#)

SUBJECT: UKRAINIAN PRIME MINISTER FAILS TO CLARIFY GAS
DEALS DURING WARSAW VISIT

Classified By: Polcouns Mary T. Curtin, for reasons 1.4 (b) and (d)

[11.](#) (C) Energy issues dominated the discussions during the February 16-17 visit to Poland by Ukrainian Prime Minister Yuriy Yekhanurov and the separate February 21 visit by Anatolij Kinach, Secretary of the Ukrainian Office of National Security and Defense. According to the MFA, however, the Poles were not satisfied with the Ukrainians' answers or explanations of the January gas deals with Russia.

On Odessa-Brody, the Poles will pursue discussions with Ukraine, but there are several outstanding issues that must be solved. Other issues included Polish support for Ukrainian integration into European institutions and the World Trade Organization (WTO), bilateral trade and cross-border issues, and security cooperation. Polish President Lech Kaczynski will visit Kiev the first week of March, and will continue to press Ukraine on the gas deal. End Summary.

No Convincing Answers
on Gas Deal

[12.](#) (C) During his two day visit to Warsaw, Yekhanurov met with President Lech Kaczynski, Prime Minister Kazimierz Marcinkiewicz, the speakers of upper and lower houses of parliaments, business groups, and a think tank. According to Wojciech Zajaczkowski, MFA Director for Eastern Policy, Polish political leaders asked Yekhanurov about the nature of the gas deals made in January and February, but received no satisfactory answers. Yekhanurov reportedly concentrated on the circumstances of the deals, complaining of strong pressure from Russia, and the difficulties of the moment, including the harshness of the winter and the pressures of the upcoming elections, and said the Russians effectively linked these two pressing problems. Yekhanurov avoided giving any concrete answer about the deals in his various meetings. He suggested that the "rumors" about the deals were spread by the ITERA gas conglomerate (a U.S.-registered company owned, according to Zajaczkowski, by Russians), which the Poles did not find convincing.

[13.](#) (C) Yekhanurov emphasized that Gazprom and Russian authorities played an important role in constructing the deals. Zajaczkowski said that Ukrainian National Security Secretary Kinach, during his separate visit, told the Poles

SIPDIS
that the gas deal "was a very imperfect compromise reached in extreme circumstances." Both he and Kinach emphasized the political motivations behind the deals. Zajaczkowski said that Polish officials believe the deal was shaped by political maneuvering and corruption on both sides, but that while "the vectors were in the same direction on the Russian side," this was not the case on the Ukrainian side. The Russians benefited because their political goals and corrupt motives were both satisfied. The Poles believe that Ukrainian political goals suffered because of corruption.

Odessa-Brody

[14.](#) (C) Zajaczkowski said that while, as reported in the press, there was discussion on moving forward on the extension of the Odessa-Brody oil pipeline to Plock, there was still work to be done. He said the Ukrainians are "insisting" upon pushing forward, but that Poles still have some questions. Polish Minister of Economy Piotr Wozniak and his deputy, Piotr Naimski (whom the Prime Minister has charged with energy security), will continue the discussion, but Poland has concerns about the financing of the Brody-Plock extension, which will require \$400 to \$500 million dollars to construct. Zajaczkowski said the outstanding questions include, first, a recent feasibility study, of which Poland's Minister of Economy was critical. Poland wants to prepare its own assessment of the pipeline extension before agreeing to go forward. Second is the question of Russian oil in the pipeline between Brody and

Odessa, and the question of how much time Ukraine needs to "reverse the reversal" of the flow, in order to return to the original plan for the flow of oil. Third, Kazakhstan needs to be brought in to the deal. "Without Kazakhstan," said Zajaczkowski, "it is hard to imagine the project will ever work."

Other Issues

15. (C) Yekhanurov and Kinach also discussed European integration. Zajaczkowski said Prime Minister Marcinkiewicz repeated Poland's "well-known" view that Ukraine should be integrated into European institutions, including NATO and the EU. Yekhanurov also asked for Polish support for Ukraine's entry into the World Trade Organization (WTO). The Ukrainians said they would like to look at how Poland set up its financial market and stock exchange as an example for their own efforts.

16. (C) On bilateral economic relations, Zajaczkowski said, the Poles emphasized to the Ukrainians the importance of a good investment climate, and especially protections for the rights of investors. According to Zajaczkowski, Ukrainian Special Economic Zones were abolished last year, with investors' privileges, but not their obligations, suspended. He said there were some seventy Polish companies involved, and that the move had raised concern among Polish investors.

17. (C) Finally, Yekhanurov discussed trans-border and regional cooperation. A member of Yekhanurov's delegation had a separate meeting with the Polish Ministry of Interior and Administration. Kinach, during his visit, also had meetings regarding cooperation between the two countries' Security Councils, and regarding defense cooperation, with an emphasis on NATO.

Kaczynski to Kiev

18. (C) Zajaczkowski said that President Kaczynski will visit Kiev the first days of March, and that the gas agreements will be high on his agenda, but that the visit will cover the full range of bilateral issues, and aim to demonstrate Polish support for Ukrainian democracy.
ASHE